

JOSEPH CORBETT
CHIEF FINANCIAL OFFICER
EXECUTIVE VICE PRESIDENT



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July 15, 2009

POSTAL REGULATORY
COMMISSION
OFFICE OF THE SECRETARY

Honorable Judith M. Grady, Acting Secretary
Postal Regulatory Commission
901 New York Avenue, NW, Suite 200
Washington, DC 20268-0001

Dear Ms. Grady:

Commission Order No. 151, issued on December 18, 2008, established new rules on tax and accounting practices for competitive products. Pursuant to the new rule appearing at 39 CFR Section 3060.40-41, the Postal Service is hereby filing the calculation of the assumed Federal Income Tax on competitive products income for the fiscal year ending September 30, 2008. A table showing the calculation is attached.

The calculation uses the Net Income Before Tax as presented in Table III-7 in the Commission's FY2008 Annual Compliance Determination (March 30, 2009). The Postal Service's Net Income Before Tax is \$14,385,000 versus the Commission's value of \$14,386,000, due to rounding.

Please contact me if you have any questions on these materials.

Sincerely,

A handwritten signature in black ink, appearing to read "Joseph", with a long horizontal line extending to the right.

Joseph Corbett

Attachment

**Calculation of Assumed Federal Income Tax on Competitive Products Income
for the Fiscal Year ending September 30, 2008**

FY 2008 Competitive Products Income Before Tax (\$ in 000s)	
Revenue	
(1) Mail and Services Revenues	\$ 8,381,705
(2) Investment Income	0
(3) Total Competitive Products Revenue	<u>8,381,705</u>
Expenses	
(4) Volume Variable Costs	6,566,072
(5) Product Specific Costs	<u>33,743</u>
(6) Total Competitive Products Attributable Cost	<u>6,599,815</u>
(7) Net Income Before Institutional Cost Contribution	<u>1,781,890</u>
(8) Required Institutional Cost Contribution	<u>1,767,505</u>
(9) Net Income (Loss) Before Tax	\$ <u>14,385</u>

Source: FY 2008 Annual Compliance Determination – Table III-7, page 27. Difference of 1 in Line (7) and Line (9) due to rounding.

Postal Service Competitive Products Fund 2008 Assumed Federal Income Tax				
Net Income Before Tax			\$14,385,000	
Temporary Timing Differences *			N/A	
Permanent Differences **			\$0	
Taxable Income			<u>\$14,385,000</u>	
Tax Calculation ¹ =				
Tax on \$10,000,000			\$3,400,000	
Tax on \$4,385,000 @ 35%			<u>\$1,534,750</u>	
Assumed Federal Income Tax			<u>\$4,934,750</u>	
Amount to be Transferred From Competitive Products Fund to Postal Service Fund			\$4,934,750	
¹ Tax Rate (IRS Form 1120 Schedule J - Line 2)				
If taxable income (Line 30, Form 1120) on page 1 is:				
Over	But not over	Tax is	Of the amount over	
	\$0	\$50,000	\$0 + 15%	\$0
	50,000	75,000	7,500 + 25%	50,000
	75,000	100,000	13,750 + 34%	75,000
	100,000	335,000	22,250 + 39%	100,000
	335,000	10,000,000	113,900 + 34%	335,000
	10,000,000	15,000,000	3,400,000 + 35%	10,000,000
	15,000,000	18,333,333	5,150,000 + 38%	15,000,000
	18,333,333		35%	0

* Per PRC Order 106 -Section IV (Calculation of Assumed Federal Income Tax)

** Permanent Differences (Including Meals and Entertainment) are not material and are excluded.